

Utah!

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Utah State Tax Commission

Form TC-20

Corporation Franchise or Income Tax Return and Instructions

Need forms sent to you?


Call (801) 297-6700 or 1-800-662-4335, ext. 6700



210 North 1950 West
Salt Lake City UT 84134
(801) 297-2200
1-800-662-4335

References:

UCA – Utah Code Annotated
IRC – Internal Revenue Code



2001

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What's New?

- **Low Income Housing Tax Credit** – The amount of credit allocated to each taxpayer is determined by the building project owner. Form TC-40LI has been modified. A new form, TC-40LIS, must be filed by the project owner. See page 9.
- **Renewable Energy System Tax Credit** – An individual no longer needs to be a resident of the state to claim the credit. See page 8.
- **Clean Fuel Vehicle Tax Credit:** The credit allowable for each qualified vehicle has increased. See page 8.
- **Dissolution or Withdrawal** – Instructions for dissolving or withdrawing a corporation have been added. See page 1.

File TC-20 if Corporation filed federal 1120

File TC-20S if S Corporation filed federal 1120S

If you need an accommodation under the Americans with Disabilities Act, contact the Tax Commission at (801) 297-3811 or Telecommunications Device for the Deaf (TDD) (801) 297-3819. Please allow three working days for a response.

General Instructions and Information

Corporation Identification Numbers

The Utah State Tax Commission will use the Employer Identification Number (EIN) as the corporation's taxpayer identification with the state. The Utah Department of Commerce issues a registration number upon incorporation or qualification in Utah. Enter the Utah Incorporation/Qualification number in the field provided. Make sure you provide your EIN and Utah Incorporation/Qualification Number for proper identification of the corporate tax return or any correspondence.

Corporation Changes

Corporation changes (e.g., name change, merger, or ceasing to do business in Utah) must be reported to both:

Division of Corporations
Department of Commerce
160 E 300 S
Salt Lake City, UT 84145

and:

Utah State Tax Commission
Master File Maintenance
210 N 1950 W
Salt Lake City, UT 84134

Dissolution or Withdrawal

Corporations that cease to do business in Utah must either dissolve or withdraw the corporation.

Corporations that are incorporated in Utah must file Articles of Dissolution with the Department of Commerce. In addition, Utah corporations are encouraged to obtain a Certificate of Tax Clearance prior to dissolution.

Corporations that are incorporated outside of Utah (foreign) MUST obtain a Certificate of Tax Clearance from the Tax Commission before withdrawing from Utah. Foreign corporations must file an Application for Withdrawal with the Department of Commerce.

Submit required documentation, under separate cover, to the Master File Maintenance address above.

Rounding Off to Whole-Dollar Amounts

All entries must be reported in whole-dollar amounts.

Liability for Filing and Paying Returns

Tax Forms

The Tax Commission supplies returns for filing of corporate taxes to corporations properly registered with the state. If the corporation does not receive an original return, call the Forms Hotline or download copies from the Internet (see cover).

NOTE: Review "Supporting Federal Information," later in these general instructions to identify what federal information is required with the Utah filing.

Franchise Tax

Every C corporation incorporated in Utah (domestic), qualified in Utah (foreign), or doing business in Utah, whether qualified or not, must file a corporate franchise tax return. C corporation returns are filed on form TC-20. There is a minimum tax (privilege tax) of \$100 on every corporation that files form TC-20 regardless of whether the corporation exercises its right to do business.

S Corporation

Every S corporation (as defined in IRC Section 1361(a)) that has filed a proper and timely election under IRC Section 1362(a) must file form TC-20S so long as the federal election remains in effect. The minimum tax does not apply to S corporations.

S corporation franchise or income tax return, schedules, and general instructions are printed separately from this booklet.

Income Tax

The only corporations required to file under the income tax provisions are those that derive income from Utah sources, but that are not qualified to do business in Utah and have no regular and established place of business in this state, either owned or rented, and that do not maintain an inventory or have employees located at a place of business in Utah. For example: A foreign corporation with goods maintained in Utah in a public warehouse, or a trucking company operated in or through Utah by a foreign corporation not qualified for the privilege of doing business in Utah, is subject to the income rather than franchise tax. Corporate income tax filers use form TC-20. A \$100 minimum tax applies to the corporate income tax.

Taxable Year

The taxable year for Utah Corporation franchise or income tax purposes must match the taxable year used for federal income tax purposes. When the taxable year changes for federal purposes, the taxable year must be adjusted accordingly for Utah corporation franchise or income tax purposes. Refer to "Filing Return Where Period Changed," below. If the taxable year is not a calendar year, enter the beginning and ending dates of the taxable year at the top of form TC-20 where indicated.

Filing Return Where Period Changed

When changes are made to the taxable year, as indicated in "Taxable Year," above, a short period return is required. The short period return must cover the period of less than 12 months between the prior taxable year-end and the new taxable year-end. The tax rates as provided in UCA §59-7-104 and §59-7-201 apply to short period returns, which includes a minimum tax of \$100.

Due Date

Returns must be filed on or before the 15th day of the fourth month following the close of the taxable year.

Filing Extension

Corporations are automatically allowed an extension of up to six months to file a return without filing an extension form. **This is an extension of time to file the return - NOT an extension of time to pay taxes.** To avoid penalty and interest, the prepayment requirements must be met on or before the original return due date and all returns must be filed within the six-month extension period.

Prepayment Requirements

Extension Prepayments

The required extension prepayments must equal 90 percent of the tax due for the current year's tax liability (or the \$100 minimum tax, whichever is greater) or 100 percent of the previous year's tax liability. *Typically, corporations that make estimated prepayments using the form TC-559, payment coupon book, will have complied with the 90 percent requirement and may not need to make additional prepayments to avoid extension penalties.*

Quarterly Payments

Every corporation having a Utah tax liability of \$3,000 or more in the current year, or a tax liability of \$3,000 or more in the previous year, must make quarterly estimated tax prepayments. In addition, parent companies filing combined reports with affiliated companies must make the quarterly prepayment when the aggregate amount is \$3,000 or more for all companies listed on Schedule M, including those paying only the minimum tax.

A corporation is not subject to the prepayment requirements the first year the corporation is required to file a return in Utah if the corporation makes a payment on or before the due date, without the automatic extension, equal to or greater than the minimum tax.

Quarterly prepayments are due in four equal payments on the 15th day of the 4th, 6th, 9th and 12th months of the corporation's taxable year. Corporations may elect to make the quarterly prepayments equal to 90 percent of the current year's tax or 100 percent of the prior year's tax. As defined in IRC Section 6655, the applicable percentage of the required annual payment for annualized income installments, for adjusted seasonal installments, and for estimated tax payments based on the current year tax liability is the following:

<u>Installment</u>	<u>Percentage</u>
1st	22.5
2nd	45.0
3rd	67.5
4th	90.0

If a taxpayer elects a different annual period than the period used for federal purposes, the taxpayer must make an election with the Tax Commission at the same time as provided in IRC Section 6655. Prepayments should be made with form TC-559, Corporation Tax Payment Coupon Booklet.

Penalties

The penalty for **failure to file a tax due return** by the due date is the greater of \$20 or 10 percent of the unpaid tax. In addition, if a tax balance remains unpaid 90 days after the due date, a second penalty, the greater of \$20 or 10 percent of the tax balance, will be added for failure to pay timely.

The penalty for **failure to pay tax due** as reported on a timely filed return, or within 30 days of a notice of deficiency, is the greater of \$20 or 10 percent of the tax due.

The penalty for **underpayment of the extension prepayment** is 2 percent per month of the unpaid tax during the extension period. If the return is not filed by the extension due date, failure to file and failure to pay penalties will apply, as if the extension had not been granted.

Penalty for **failure to file an information return** or complete supporting schedule is \$50 for each return or schedule to a maximum of \$1,000.

The penalty for each **underpayment of required estimated tax or required quarterly installments** is determined by applying the state interest rate(s) in effect for the period of the underpayment, plus four percentage points to the amount of the underpayment for the period of the underpayment.

For a list of additional penalties that may be imposed, refer to UCA §59-1-401.

Exceptions to Penalty on Estimated Tax

Annualized Exception

A corporation may annualize its income before determining the amount of each installment. It is recommended that federal guidelines be followed in determining annualized income. If the corporation meets the annualized exception at the federal level, for any installment, indicate by checking the appropriate box(es) on form TC-20, Schedule A line 25.

Recurring Seasonal Exception

A corporation with recurring seasonal income may annualize its income before determining the amount of each installment. It is recommended that federal guidelines be followed in determining seasonal income. If the corporation meets the seasonal exception at the federal level, for any installment, indicate by checking the appropriate box(es) on form TC-20, Schedule A line 25.

Prepayment of minimum tax

Corporations that met the prepayment requirement in the **current** year and that had a tax liability of \$100 (the minimum tax) for the previous year, may choose to prepay the minimum tax amount of \$100 on the 15th day of the 12th month instead of four increments of \$25.

Corporations that met the prepayment requirement in the **previous** year and have a tax liability of \$100 (the minimum tax) in the current year may choose to prepay the minimum tax amount of \$100 on the 15th day of 12th month instead of four increments of \$25. In this scenario, the corporation must pay \$100, not 90 percent.

The Tax Commission will calculate the penalty for underpayment of required prepayments. Taxpayers who would like to calculate their own penalty may contact the Tax Commission at (801) 297-7790 for assistance.

Interest

The calendar year interest rate applicable for all taxes and fees administered by the Tax Commission is two percentage points above the federal short-term rate in effect for the preceding fourth calendar quarter. The Internal Revenue Service publishes this rate in September of each year.

The interest rate for most taxes and fees administered by the Tax Commission for the 2002 calendar year is 6 percent.

Supporting Federal Information

Federal form 1120, pages 1-4 **as filed with the IRS** should be included with the filing of the Utah return (Form TC-20). Other detail schedules should NOT be included with the initial Utah filing, unless otherwise specified in this publication. The Auditing Division of the Tax Commission may request these detail schedules at a later date.

Suspension for Failure to Pay Tax Due

Utah law provides for suspension of the corporation's right to do business in Utah if the corporation fails to pay taxes due before 5 p.m. on the last day of the eleventh month after the due date.

Combined Reports

Any corporation owned by another corporation, or owning more than 50 percent of another corporation, or a group of corporations related through common ownership (i.e., certain brother/sister corporations) and engaged in unitary business activity, must file a combined report, including the combined income of all such corporations.

Unitary Business

A unitary business exists if the activities of the corporations (subsidiary or affiliated corporations related through common ownership) are economically interdependent as demonstrated by the following factors:

- Strong centralized management
- Functional integration
- Attainment of operational economies of scale

Water's Edge Combined Report

A unitary group is required to file on a water's edge basis unless the worldwide combination method has been elected. A water's edge combined report includes the income and activities of all members of a unitary group that are:

- Corporations organized or incorporated in the United States, including those corporations qualifying for the Puerto Rico and Possession Tax Credit as provided in IRC Section 936; and
- Corporations organized or incorporated outside of the United States meeting the threshold level of business activity.

Water's Edge Election

A group of corporations that are not otherwise a unitary group may elect to file a water's edge combined report under UCA §59-7-402(2) if each member of the group is:

- Doing business in Utah;
- Part of the same affiliated group, and;
- Qualified under IRC Section 1501 to file a federal consolidated return.

Each corporation within the affiliated group that is doing business in Utah must consent to filing a combined report. If an affiliated group elects to file a combined report, each corporation within the affiliated group that is doing business in Utah must file a combined report.

Corporations that elect to file a water's edge combined report under this section may not thereafter elect to file a separate return without the consent of the Tax Commission.

Worldwide

A unitary group may elect to file a worldwide combined report. When the worldwide combined reporting method is elected, the income/loss of each corporation within the unitary group must be included regardless of the country in which the corporations are incorporated or conduct business.

Corporations electing to file a worldwide combined report may not thereafter elect to file a return on a basis other than a worldwide combined report without the consent of the Tax Commission.

Threshold Level of Business Activity

Foreign corporations that conduct 20 percent or more of their business activity in the United States, as measured by the average of the property and payroll factors, must be included 100 percent in a water's edge combined report. Any business activity in Utah will subject a foreign corporation to the Utah franchise tax. The threshold test for purposes of combined reporting determines whether the foreign corporation is a member of a unitary group.

Foreign Dividends

Fifty percent of unitary foreign dividends are included in adjusted income. The remaining 50 percent, less expenses, are excluded. Refer to UCA §59-7-106(11)(a). Adjustment to the denominators of the apportionment fraction for each dividend paying company is provided at the ratio that the included dividend bears to the total earnings and profits for dividend paying companies.

Preparation of Combined Report(s)

A group filing a combined report will calculate adjusted income of the combined group by:

1. Determining which corporations are unitary;
2. Computing unadjusted income on a separate return basis;
3. Combining income or loss of the members included in the combined report;
4. Making appropriate eliminations and adjustments between members included in the combined report to arrive at unadjusted income on a combined basis, and;
5. Making additions and deductions to unadjusted income as outlined in Schedules B, C and D to arrive at adjusted income.

A unitary group of corporations is considered a single taxpayer for purposes of the assignment of sales in the sales factor of the apportionment fraction. Therefore, sales of tangible personal property by any member of the unitary group that are delivered or shipped into Utah are includable in the Utah sales numerator. Conversely, such sales originating in Utah, which are delivered or shipped to another state, will not be thrown back to the Utah sales numerator if any member of the unitary group has a taxable presence (nexus) in that state. Refer to Tax Commission Rule R865-6F-24.

IRC Sections 338, 338(h)(10), and 336(e)

An election made or considered to be made under IRC Sections 338, 338(h)(10) and 336(e) for years beginning on or after January 1, 1994 is also followed for Utah purposes.

IRC Section 338

If a federal election is made under IRC Section 338 the target corporation must file a separate entity one-day tax return for Utah purposes, as required for federal purposes. The target corporation must include the gain or loss on the deemed sale of assets in its adjusted income. Form TC-20 (338), 'One-day Corporation Tax Return for Target Corporation', is available upon request.

IRC Section 338(h)(10)

If an election is made for federal purposes under IRC Section 338(h)(10) the following apply:

1. If the target corporation is a member of a unitary group immediately preceding the acquisition date, the target corporation must be included in a combined report to the extent of its income through the acquisition date. The gain or loss on the deemed sale of assets is included in the combined income of the unitary group.
2. If the target corporation is not a member of a unitary group immediately preceding the acquisition date, the target corporation must file a short period return for the period ending on the acquisition date and must include in that return the gain or loss on the deemed sale of assets in its adjusted income.

3. Any gain or loss, which is not recognized for federal purposes, on stock sold or exchanged by a member of a selling consolidated group (as defined in IRC Section 338) may not be included in the adjusted income of the selling corporation.
4. The target corporation is treated as a new corporation as of the day after the acquisition date.

IRC Section 336(e)

If an election is made under IRC Section 336(e), the transaction must be treated as follows:

1. If the corporation is treated for federal purposes as having disposed of all of its assets and is a member of a unitary group immediately preceding the date of sale, the corporation must be included in a combined return to the extent of its income through the date of sale. The gain or loss on the deemed disposal of assets is included in the combined income of the unitary group.
2. If the corporation is treated for federal purposes as having disposed of all of its assets and is not a member of a unitary group immediately preceding the date of sale, the corporation must file a short period return for the period ending on the date of sale and must include the gain or loss on the deemed disposal of assets in its adjusted income.
3. Any gain or loss that is not recognized for federal purposes on stock sold, exchanged or distributed by a corporation pursuant to IRC Section 336(e) may not be included in adjusted income.
4. The new basis of assets of the corporation treated as having disposed of its assets is the same as determined for federal purposes.
5. The corporation that is treated as having disposed of its assets is treated as a new corporation as of the day after the date of sale.

Installment Sales

If a corporation is no longer required to file a Utah corporate return, any taxes owed by that corporation on installment sales entered into by that corporation shall accelerate and be due on the corporation's last return filed in Utah.

Instructions for Return

Corporation Name and Address

Enter the corporation name, address, and telephone number.

EIN and Utah Charter Number

Enter the Employer Identification Number (EIN) and Utah Incorporation/Qualification Number issued by the Department of Commerce in the appropriate fields.

Filing Period

If the return is being filed for a period other than the calendar year ending Dec. 31, 2001 enter the beginning and ending filing dates.

Amended Returns

To amend, use the tax form and instructions for the year you are amending.

An amended state return should be filed promptly if:

1. An error is discovered on your state or federal return after it has been filed; or
2. Your federal return is audited or adjusted by the IRS and the IRS audit or adjustment affects your state return. You must report such changes or corrected net income within 90 days of the IRS's final determination.

Do not submit an amended return for the purpose of claiming a loss carryback refund. The Tax Commission automatically calculates this. Any refund will be mailed to the Corporation.

To qualify for a refund or credit, an amended return must be filed within three years following the date the original return was filed. A return filed before the due date is considered filed on the due date.

To amend a previously filed return:

1. Check the amended box located at the top of the return; and
2. Indicate the reason for amending by writing the number in the box provided on the return.

Reasons for Amending

1. You filed an amended return with the IRS (attach a copy of your amended federal return).
2. You made an error on your state return (attach an explanation of the adjustments made).
3. Federal audit adjustments, which resulted in changes in federal taxable income, were issued and became final (attach a copy of the IRS adjustment).
4. Other (attach explanation to return).

Complete the return entering the figures as corrected. Enter other amounts shown on your original return. If you received a refund on your original return, subtract previous refunds from the amount of tax paid with the original return and/or subsequent payments of the tax prior to filing the amended return. Enter the amount on Schedule A, line 19.

Remember: Except for the amounts you amend, the amounts you place on the return must match your original return.

Line-by-Line Instructions

Line 1

Check the box on line 1 if this corporation conducted business in Utah during the taxable year.

Line 2

Check the box on line 2 if the federal form 1120 for the same tax period was a consolidated return.

Line 3

Select and check the appropriate box to indicate whether the return is:

- a. A "water's edge" combined report, or
- b. A "water's edge" election made under UCA §59-7-402(2), or
- c. A "worldwide" combined report.

See "Combined Reports" in the general instructions for information on the proper filing method.

Line 4

Select and check the appropriate box(es) if an election has been made under IRC Sections 338, 338(h)(10) or 336(e). See General Instructions for information regarding these elections.

Line 5

Check the box on line 5 if this corporation is or includes a financial institution as defined in Tax Commission Rule R865-6F-32.

Line 6

Indicate the ultimate U.S. parent corporation's name.

Line 7

Indicate the ultimate U.S. parent corporation's employer identification number.

Line 8 - Refund (From Schedule A, line 23)

Line 9 - Tax Due (From Schedule A, line 24)

Line 10 - Total Penalties and Interest

Enter applicable penalty and interest amounts on the appropriate lines. Enter the total amount in the box. The Tax Commission will calculate the penalty for underpayment of required prepayments. For help calculating penalties and interest, you may contact the Tax Commission at (801) 297-7790 or 1-800-662-4335.

Line 11 - Utah Use Tax

Use tax is required on all taxable items purchased for storage, use or consumption in Utah, if Utah sales and use tax was not paid at the time of purchase.

Purchases include amounts paid or charged for purchases made on the Internet or through catalogs. Credit is allowed for sales or use tax paid to another state, but not to a foreign country. If the tax rate in the other state is lower than Utah's tax rate, the person or consumer is required to pay the difference. If the tax rate in the other state is greater than Utah's tax rate, no sales or use tax credit or refund applies.

Enter use tax of \$400 or less. If the amount exceeds \$400, the purchaser is required to obtain a sales and use tax license and to pay the use tax on a sales and use tax return.

Sales and use tax rates vary throughout Utah. Use the following chart to find the tax rate for the Utah location where the merchandise was delivered, stored, used or consumed. If the city is not listed, use the county tax rate. Complete the worksheet below to determine the amount of use tax due. Credit for taxes paid to another state cannot exceed the Utah tax that would otherwise be due on those items. If sales taxes were paid to more than one state, complete a worksheet for each state. Enter the sum of the use tax from each worksheet.

Use Tax Rate Chart (Effective Dec. 31, 2001)			
.0600	Beaver County	.0760	Alta
.0700	Beaver	.0600	San Juan County
.0600	Box Elder County	.0650	Monticello
.0625	Brigham, Perry, Willard	.0600	Sanpete County
.0600	Cache County	.0625	Ephraim, Gunnison
.0625	Cache Valley Transit, Hyde Park, Hyrum, Logan, Millville, Nibley, N. Logan, Providence, Richmond, River Heights, Smithfield	.0600	Sevier County
.0600	Carbon County	.0625	Richfield, Salina
.0625	Price, Wellington	.0610	Summit County
.0600	Daggett County	.0735	Park City
.0650	Davis County	.0600	Tooele County
.0600	Duchesne County	.0625	Erda, Grantsville, Lakepoint, Lincoln, Tooele City, Stansbury Park
.0625	Roosevelt	.0650	Uintah County
.0575	Emery County	.0675	Vernal
.0750	Green River	.0600	Utah County
.0700	Garfield County	.0625	Alpine, American Fork, Lehi, Lindon, Mapleton, Orem, Payson, Pleasant Grove, Provo, Provo Canyon, Salem, Highland, Spanish Fork, Springville, Cedar Hills
.0800	Boulder, Panguitch, Tropic	.0600	Wasatch County
.0600	Grand County	.0625	Heber
.0775	Moab, East Green River	.0600	Washington Cnty
.0600	Iron County	.0625	Hurricane, Ivins, La Verkin, St. George, Santa Clara, Washington City
.0775	Brian Head	.0750	Springdale
.0600	Juab County	.0600	Wayne County
.0625	Nephi	.0650	Weber County
.0675	Kane County		
.0775	Kanab		
.0575	Millard County		
.0600	Morgan County		
.0600	Piute County		
.0600	Rich County		
.0660	Salt Lake County		

Worksheet for Computing Utah Use Tax (Retain this worksheet for your records.)

- Total amount of purchases subject to use tax .. \$ _____
- Use tax rate (decimal) \$ _____
- Use tax (multiply line 1 by line 2) \$ _____
- Credit for sales tax paid to another state \$ _____
- Amount of use tax due (line 3 less line 4)
Enter ZERO if less than zero \$ _____

Line 12 - Total Refund
Subtract lines 10 and 11 from line 8.

Line 13 - Total Remitted
Add lines 9, 10 and 11.

Do not mail cash. The Tax Commission assumes no liability for the loss of cash placed in the mail.

Signature and Date Lines

Sign and date the return. Refunds will not be granted on returns without signatures and dates.

Supplemental Information to be Supplied by all Corporations

All corporations must complete this section, located on the back of the return.

Instructions for Schedule E – Prepayments of any Type

Line 1
Enter the total amount of all refunds applied from the prior year.

Line 2
List the date, check number and amount of extension prepayment.

Line 3
List the date, check number and amount of all prepayments made for the filing period. Enter the total amount on line 3. Attach additional sheet, if necessary.

Line 4
Add lines 1, 2, and 3. Enter the total on this line and on Schedule A, line 18c.

Instructions for Schedule A – Utah Taxable Income and Tax Due

Line 1 - Unadjusted Income/Loss
Enter the federal taxable income (before net operating loss deduction and special deductions) from line 28 of federal form 1120 or line 24 of federal form 1120-A.

Line 2 - Additions to Unadjusted Income
Bring forward total additions from Schedule B, line 15.

Line 3 - Subtractions from Unadjusted Income
Bring forward total subtractions from Schedule C, line 14.

Line 4 - Adjusted Income
Add line 1 and line 2, subtract line 3.

Line 5 – Nonbusiness Income Net of Related Expenses

Add lines 5(a) and 5(b).

5(a). Nonbusiness income allocated to Utah from Schedule H, line 13.

5(b). Nonbusiness income allocated outside Utah from Schedule H, line 26.

Line 6 – Apportionable Income Before Contributions Deduction

Subtract line 5 from line 4.

Line 7 – Utah Contributions

Enter amount from Schedule D, line 8.

Line 8 – Apportionable Income

Subtract line 7 from line 6.

Line 9 – Apportionment Fraction

100 percent or fraction from Schedule J, line 7.

Line 10 – Apportioned Income

Multiply line 8 by fraction on line 9.

Line 11 – Nonbusiness Income Allocated to Utah

Enter the amount reported on line 5(a) above.

Line 12 – Utah Taxable Income/Loss

Add lines 10 and 11. If Utah taxable income on line 12 is a loss, the corporation may elect to: 1) carry the loss back (subject to the \$1,000,000 limitation), or 2) forego the loss carryback and carry the loss forward.

If an election is made to forego the federal net operating loss carryback, a similar election is considered to be made for Utah tax purposes unless the taxpayer makes a specific election to carry back the loss for Utah purposes. Indicate in the appropriate box whether you elect to forego the Utah net loss carryback:

Yes, forego the loss carryback

No, treat the loss as a carryback

If no election is made to forego the loss carryback, the Utah net loss will be carried back to the earliest of the three preceding tax years; if not entirely used to offset income of that year it will be carried to the second year preceding the loss year; any remaining loss will be carried to the taxable year immediately preceding the loss year. Any remaining loss should be carried forward.

Do not submit an amended return for the purpose of claiming a loss carryback refund. A refund resulting from a loss carryback will be sent automatically. *Schedule L is obsolete.*

Line 13 – Utah Net Loss Carried Forward from Prior Years

Losses incurred in years beginning prior to January 1, 1994, which remain after all carrybacks have been applied, may be carried forward for five taxable years following the taxable year of the loss.

Losses incurred in years beginning on or after January 1, 1994, which remain after all carrybacks have been applied, may be carried forward for fifteen taxable years following the taxable year of the loss.

Attach documentation to the return to support the loss amounts carried forward on Schedule A, line 13.

Line 14 – Net Taxable Income

Subtract line 13 from line 12.

Line 15 – Calculation of Tax

Add lines 15(c) and 15(d).

Line 15(a)

Multiply line 14 by .05.

Line 15(b)

Multiply the number of corporations in Utah by \$100. These corporations are listed on Schedule M.

Line 15(c)

Enter the amount from line 15(a) or 15(b), whichever is greater.

Line 15(d)

Generally, interest must be paid on the deferred tax related to installment sales if the contract was entered into on or after January 1, 1994.

The rate of interest applicable must be determined pursuant to IRC Section 453A. Enter the interest as an additional tax on Schedule A, line 15(b).

The deferred tax liability for Utah purposes must be calculated in a manner similar to that outlined in IRC Section 453(A)(c), except:

1. The tax rate applied must be five percent; and
2. In the case of multistate corporations, the amount of Utah gain, which has not been recognized, must be determined by multiplying the deferred gain, which has not been recognized for federal purposes, by the current year apportionment fraction.

Line 16 – Nonrefundable Credits

Enter on lines 16(a) through 16(e) any of the following nonrefundable credits allowed. You must write the code and the amount related to the credit on your return. Enter the total of all credits claimed on line 16.

Codes for line 16(a) through 16(e)

- 02 Qualified Sheltered Workshop Cash Contribution Credit
- 03 Renewable Energy Systems Tax Credit
- 04 Clean Fuel Alternative Tax Credit
- 05 Clean Fuel Vehicle Tax Credit
- 06 Historic Preservation Tax Credit
- 07 Enterprise Zone Credit
- 08 Low Income Housing Tax Credit

- 09 Credit for Employers who Hire Persons with Disabilities
- 10 Recycling Market Development Zone Tax Credit
- 12 Credit for Increasing Research Activities
- 13 Credit for Machinery and Equipment Used to Conduct Research
- 14 High Technology Equipment Contribution Tax Credit
- 15 Utah Municipal, U.S. and Agency Bond Interest Tax Credit
- 16 Utah Steam Coal Tax Credit

(02) Qualified Sheltered Workshop Cash Contribution Credit (UCA §59-7-602)

There is no form for this credit. Make sure you keep any documentation to support this credit.

Cash contributions made within the tax year to a qualified nonprofit rehabilitation sheltered workshop facility for the disabled operating in Utah are eligible for a credit against Utah income taxes. Check with the workshop to make sure they have a current Day Training Provider License or Day Support Provider Certificate issued by the Department of Human Services. The credit is equal to 50 percent of the total of cash contributions, not to exceed \$1000. If the contribution was deducted when calculating federal taxable income (federal form 1120, line 19), that amount must be deducted from current year contributions (Utah Schedule D, line 5(a)) before the credit may be claimed on this line.

For more information, contact:

Div. of Services for Person's with Disabilities
Contract Administrator
120 N 200 W #411
Salt Lake City, UT 84103
(801) 538-4200

(03) Renewable Energy Systems Tax Credit (UCA §59-7-614)

Attach form TC-40E, "Renewable Energy Systems Tax Credit," with the Utah Energy Office stamp, verifying the credit has been approved.

To qualify for the energy tax credit, you must have installed or upgraded a renewable energy system (such as solar or wind generated power systems) during the tax period. Energy saving devices, such as insulation, siding thermal windows and high efficiency furnaces, do not qualify.

To determine if your system or system components and installation qualify for the tax credit you must submit a written application, complete with signatures and photocopies of receipts, to the Utah Energy Office (UEO).

Application forms can be obtained from:

Utah Energy Office
1594 W North Temple, Suite 3610
Box 146480
Salt Lake City, UT 84114-6480
(801) 538-5428.

If your system meets the eligibility requirements, you will receive form TC-40E, with information on your eligible system and installation costs and the UEO stamp of approval.

(04) Clean Fuel Alternative Tax Credit (UCA §59-7-606)

Complete and attach form TC-40F, "Clean Fuel Alternative Tax Credit," with the Utah Energy Office seal, verifying the credit has been approved.

To qualify you must have purchased and installed EPA certified pellet burning stoves, high mass wood stoves, solid fuel burning devices, and natural gas or propane free standing fireplaces or inserts. The credit is limited to \$50 or 10 percent of the total of the purchase cost and installation costs, whichever is less.

To obtain form TC-40F, certification, and for additional information, contact:

Department of Environmental Quality
Division of Air Quality
150 N 1950 W
Salt Lake City, UT 84114-4820
(801) 536-4000

(05) Clean Fuel Vehicle Tax Credit (UCA §59-7-605)

Complete and attach form TC-40V, "Clean Fuel Vehicle Tax Credit," with the Division of Air Quality approval stamp, verifying the credit has been approved.

To qualify you must have:

- Purchased a vehicle registered in Utah, for which this credit has not been taken, that was manufactured to use propane, natural gas, or electricity, or
- Purchased and installed equipment to convert a vehicle registered in Utah to use propane, natural gas, or electricity.

Note: Hybrid vehicles do not qualify for this credit.

The credit is:

- 50% of the incremental cost of a new vehicle, up to a maximum tax credit of \$3,000, or
- 50% of the cost of the equipment for conversion, up to a maximum tax credit of \$2,500, or
- 50% of the cost of the equipment for conversion of a special fuel mobile equipment engine, up to a maximum tax credit of \$1,000.

To obtain form TC-40V, approval, and for additional information, contact:

Division of Air Quality
Department of Environmental Quality
150 N 1950 W
Salt Lake City, UT 84116-0385
(801) 536-4000

**(06) Historic Preservation Tax Credit
(UCA §59-7-609)**

Complete and attach form TC-40H, "Historic Preservation Tax Credit," with the State Historic Preservation Office certification, verifying the credit has been approved.

This is a credit for costs incurred in connection with qualified rehabilitation of any residential certified historic building. If qualified rehabilitation expenditures exceed \$10,000, a credit of 20 percent of the total expenditures is allowed. Unused credits may be carried forward five years as a credit against Utah tax due.

To obtain form TC-40H, certification, and for additional information, contact:

State Historic Preservation Office
300 Rio Grande
Salt Lake City, UT 84101
(801) 533-3563.

(07) Enterprise Zone Credit (UCA §9-2-413)

There is no form for this credit. Retain documentation to support this credit.

For businesses to qualify for the enterprise zone tax credit, at least 51 percent of the employees employed by the business located in the enterprise zone, must reside in the county in which the enterprise zone is located.

- Businesses engaged in retail trade or public utilities are not eligible for the enterprise zone tax credit.
- Construction jobs are not eligible for the tax credits in paragraphs 1 through 4 below.

The following state tax credits are applicable to qualifying businesses in an enterprise zone.

1. A credit of \$750 for each new full-time position filled for not less than six months during a tax year.
2. An additional \$500 tax credit if the new position pays at least 125 percent of the county average monthly nonagricultural payroll wage for the respective industry as determined by the Department of Workforce Services. If this information is not available, the job must pay at least 125 percent of the total average monthly nonagricultural payroll wage in the respective county where the enterprise is located.
3. An additional credit of \$750 may be claimed if the new position is in a business that adds value to agricultural commodities through manufacturing or processing.
4. An additional \$200 credit may be claimed for two consecutive years for each new employee who is insured under an employer-sponsored health insurance program, if the employer pays at least 50 percent of the premium cost for two consecutive years.
5. A 50 percent credit, not to exceed \$100,000, for cash contributions made to a private nonprofit corporation that is exempt from federal income tax under Section 501(c)(3) of the IRS Code, whose primary purpose is community and economic development, and is accredited by the Utah Rural Development Council Board of Directors.

6. A 25 percent credit of the first \$200,000 spent on rehabilitating a building, vacant for two years, in the enterprise zone.
7. An annual investment tax credit of 10 percent of the first \$250,000 investment and 5 percent of the next \$1,000,000 qualifying investment in plant, equipment, or other depreciable property.

A business claiming a credit under paragraphs 1 through 4 may claim a credit for 30 full-time employee positions or less in each of its taxable years.

A business may claim an additional credit for a full-time employee position under paragraphs 1 through 4 above if:

- a. The business creates a new full-time employee position;
- b. The total number of full-time employee positions is greater than the number of full-time employee positions previously claimed by the business under paragraph 1 through 4; and
- c. The total number of credits claimed for its current taxable year, including the new full-time employee positions being claimed as a credit, is less than or equal to 30.

If the tax credit exceeds the tax liability, the credit amount exceeding the liability may be carried forward for a period that does not exceed the next three taxable years.

Indian tribes may apply for Enterprise Zone designation within an Indian reservation.

If Enterprise Zone credits are being taken based on your ownership in a partnership, you must allocate the above-calculated credits based on your respective percentage of ownership.

For additional information, contact:

Dept. of Community & Economic Development
324 S State Street, Suite 500
Salt Lake City, UT 84111
(801) 538-8782

**(08) Low Income Housing Tax Credit
(UCA §59-7-607)**

Individuals sharing in the credit must attach form TC-40TCAC, "Utah Low-Income Housing Tax Credit Allocation Certification," and complete and attach form TC-40LI, "Summary of Utah Low-Income Housing Tax Credit," to the return. If you are carrying this credit forward or backward, you must also attach form TC-40LIC, "Utah Low-Income Housing Tax Credit Carryback and/or Carryforward," to your return.

The building project owner must also complete and attach form TC-40LIS, "Credit Share Summary of Low-Income Housing Project" to the return.

This credit is an amount determined by the Utah Housing Corporation, for any housing sponsor that has received an allocation of the federal low-income housing tax credit and any applicant for an allocation of the federal low-income housing tax credit. Unused credits may be carried back three years or carried forward five years.

When this credit is applicable, the project owner will provide form TC-40TCAC (executed by the Housing Corporation) to the taxpayer.

To obtain forms, certification and for additional information, contact:

Utah Housing Corporation
554 S 300 E
Salt Lake City, UT 84111
(801) 521-6950

(09) Credit For Employers Who Hire Persons With Disabilities (UCA §59-7-608)

Complete and attach form TC-40HD, "Tax Credit for Employers Who Hire Persons with Disabilities," showing certification.

The credit is for employers hiring an individual with a disability who:

1. Worked in Utah for at least 6 months in a taxable year for that employer; and
2. Is paid at least minimum wages by that employer.

Individual with a disability means an individual who:

1. Has been receiving services from a certified day-training program for persons with disabilities, which is certified by the Department of Human Services, for at least six consecutive months prior to working for the employer claiming the tax credit; or
2. Is eligible for services from the Division of Services for People with Disabilities at the time the individual begins working for the employer claiming the tax credit.

To obtain form TC-40HD, certification or for additional information, contact:

Utah Department of Human Services
Division of Services for People with Disabilities
120 N 200 W Room 411
Salt Lake City, UT 84103
(801) 538-4200

(10) Recycling Market Development Zone Tax Credit (UCA §59-7-610)

Attach the completed form TC-40R, "Recycling Market Development Zone Tax Credit," with the Department of Community and Economic Development certification, verifying the credit has been approved.

A credit is available to businesses operating in a recycling market development zone as defined in UCA §9-2-1602.

To obtain form TC-40R, certification, or for additional information, contact:

Dept. of Community & Economic Development
324 S State Street, Suite 500
Salt Lake City, UT 84111
(801) 538-8804

(12) Credit for Increasing Research Activities (UCA §59-7-612)

The credit is for expenses incurred for increasing qualified research activities in Utah. A qualifying taxpayer may claim the credit in the taxable year immediately following the taxable year for which the taxpayer qualifies for the credit.

A qualifying taxpayer may take the following nonrefundable research credits for activities in Utah:

1. A research credit of 6% of the taxpayer's qualified research expenses for the current taxable year that exceed the base amount; and
2. A credit for payments to qualified organizations for basic research, as provided in IRC Section 41(e), of 6% for the current taxable year that exceed the base amount.

For detailed information regarding this credit, including definition of terms and procedures for claiming the credit, refer to UCA §59-7-612.

(13) Credit for Machinery and Equipment Used to Conduct Research (UCA §59-7-613)

The credit is for machinery, equipment, or both used primarily for conducting qualified research or basic research in Utah for a time period of not less than 12 consecutive months. A qualifying taxpayer may claim the credit in the taxable year immediately following the taxable year for which the taxpayer qualifies for the credit.

A qualifying taxpayer may take the following nonrefundable credits:

1. A credit of 6 percent of the purchase price of certain machinery and equipment primarily used to conduct qualified research in Utah; and
2. A credit of 6 percent of the purchase price of certain machinery and equipment donated to a qualified organization and used primarily to conduct basic research in Utah.

For detailed information regarding this credit, including definition of terms and procedures for claiming the credit, refer to UCA §59-7-613.

(14) High Technology Equipment Contribution Tax Credit (UCA §59-7-603)

A nonrefundable tax credit is allowed for 25 percent of the fair market value of high technology equipment contributions to public education, not to exceed the basis of the property contributed. If the contribution was deducted when calculating federal taxable income, that amount must be deducted from current year contributions (Utah Schedule D, line 5b) before the credit may be claimed on this line.

(15) Utah Municipal, U.S. and Agency Bond Interest Tax Credit (UCA §59-7-601)

A credit of 1 percent of Utah municipal interest and federal interest included in Utah taxable income will be allowed. For multistate corporations, the amount of Utah municipal and federal interest included in Utah taxable income is calculated by multiplying the total

amount of that interest by the current year apportionment fraction. The credit is nonrefundable but may be carried back three years and forward five years. Attach a schedule showing the calculation of credit.

(16) Utah Steam Coal Tax Credit (UCA §59-7-604)

For taxable years beginning on or after January 1, 1993, there is allowed, as a credit against any tax imposed by UCA Title 59, Chapters 7 and 8, an amount equal to \$1 per ton for each ton of Utah steam coal sold from a permitted mine by the taxpayer to a purchaser outside of the United States in excess of the number of tons of Utah steam coal sold from a permitted mine by the taxpayer to a purchaser outside of the United States in the taxable year beginning on or after Jan. 1, 1992, but before Dec. 31, 1992.

Unused credits may be carried forward 15 years. The credit allowed by this section is repealed effective for tax years beginning on or after Jan. 1, 2002.

Line 17 - Net Tax

Subtract line 16 from line 15 (cannot be less than minimum tax per corporation).

Line 18 - Refundable Credits

Add lines 18(a) through 18(c).

Line 18(a) - Mineral Production Withholding Credit (R865-14W-1)

Enter the total of the mineral production tax withheld as shown on forms TC-675R or federal schedule K-1(s) for 2001. **Attach copies of TC-675R or K-1 forms** to the return to receive proper credit.

Line 18(b) - Credit for Agricultural Off-Highway Motor Fuel Tax (UCA §59-13-202)

Attach federal form 4136. There is no state form for this credit. Make sure you keep all personal records, forms, and worksheets to support this credit.

This is 24.5 cents per gallon credit only for:

- Motor fuel and undyed diesel fuel purchased **in Utah**; and
- Used to operate stationary farm machinery used solely for commercial nonhighway agricultural use; and
- That was taxed at the time of purchase.

Activities that **DO NOT** qualify for this credit include, but are not limited to, the following:

- Golf courses
- Hobbies
- Horse racing
- Boat operations
- Highway seeding
- Vehicles registered for highway use
- Farming for personal use

Multiply the total gallons eligible for the credit by .245.

Line 18(c) - Total Prepayments

A refundable credit is allowed for advance payments made as quarterly prepayments and extension payments (form TC-559). Include any overpayments from a prior year that were applied to this year. Use Schedule E to compute the total prepayment.

Line 19 - Amended Returns Only

(Previous Payments Less Previous Refunds)

This line should only be used for amended returns. Enter the amount of tax paid with the original return and/or subsequent payments made prior to filing this amended return less any previous refunds (exclude refund interest).

Line 20 - Total Refundable Credits

Add lines 18 and 19.

Line 21 - Overpayment

If line 20 is larger than line 17, subtract line 17 from line 20.

Line 22 - Overpayment To Be Applied To Next Taxable Year

As a convenience to refund filers, all or part of a refund may be applied as an advance payment for the next tax year. Enter amount to be applied (must be less than or equal to refund).

Line 23 - Refund

Subtract line 22 from line 21, and enter the amount here and on Form TC-20, line 8.

Line 24 - Tax Due

If line 17 is larger than line 20, subtract line 20 from line 17 and enter the amount here and on Form TC-20, line 9.

Line 25 - Quarterly Estimated Prepayments Meeting Exception

Check boxes corresponding to the four quarterly prepayments for those quarters in which penalty exceptions exist. Refer to "Prepayment Requirements" in the general instructions for exceptions to penalty on estimated prepayments. Attach supporting documentation.

Instructions for Schedule B – Additions to Unadjusted Income

Line 1 - Interest From State Obligations

Interest from bonds, notes, and other evidences of indebtedness issued by any state of the United States, including any agency and instrumentality of a state of the United States.

Lines 2(a) - 2(e) - Add Taxes That Were Deducted to Determine Unadjusted Income.

Amounts included in federal taxable income from refunds of the following taxes should be netted against similar taxes on the appropriate lines.

Line 2(a) -Income Taxes Paid to Any State
Add taxes imposed by any state that are measured by income.

Line 2(b) -Franchise or Privilege Taxes Paid to Any State
Add franchise taxes paid by a corporation to any state for taxes imposed for the privilege of doing business or exercising its corporate franchise.

Line 2(c) -Corporate Stock Taxes Paid to Any State
Add corporate stock taxes paid to any state.

Line 2(d) -Foreign Taxes Paid
Add any income, franchise, or capital stock taxes imposed by a foreign country, a United States possession or the Commonwealth of Puerto Rico.

Line 2(e) -Business and Occupation Taxes
Add business and occupation taxes deducted for federal purposes.

Line 3 - Safe Harbor Lease (SHL) Adjustments
Reverse the effects of SHL adjustments. SHL's originated from adjustments primarily available to businesses during the years 1981 and 1982 under ERTA. These provisions allowed transfers of certain tax benefits for federal tax purposes. However, Utah did not adopt these provisions and the effects of any remaining SHL adjustments must be reversed for Utah purposes.

Add to income:

SHL Purchaser/Lessor

1. Interest expense.
2. Depreciation claimed on SHL property.

SHL Seller/Lessee

1. Amount of gain on the sale of federal tax benefits.
2. Rental expense on SHL property.

Line 4 - Capital Loss Carryover
Add capital losses that were deducted on a Utah corporate return in previous years, but are used to offset capital gains on this year's federal return.

Line 5 - Deductions Taken Previously on the Utah Return
Include any deduction on the federal return that has been previously deducted on the Utah return.

Line 6 - Federal Charitable Contributions
Add federal charitable contributions from federal form 1120, line 19.

Line 7 - Gain/Loss on Sections 338(h)(10) or 336(e)
Add the amount of gain or loss determined under UCA §59-7-114(3) regarding a target corporation under IRC Section 338, if that gain or loss has not been included in unadjusted income, and the amount of gain or loss determined under UCA §59-7-115 regarding corpora-

tions treated for federal purposes as having disposed of its assets under IRC Section 336(e), if that gain or loss has not been included in unadjusted income.

The purpose of this addition is to make sure that the gain or loss on IRC Section 338(h)(10) and 336(e) transactions are treated similarly for Utah and federal purposes as a deemed sale of assets. The gain or loss is only added if it has not already been included in unadjusted income.

Line 8 - Basis Adjustments
Utah laws generally follow the Internal Revenue Code for depreciation, amortization, and basis. However, basis differences occasionally arise due to differences between state and federal laws in limited instances. Some examples of such instances may include: a) an IRC Section 338 election in a tax year beginning prior to January 1, 1994; b) adjustments attributed to the federal consolidated rules under IRC Section 1502. A company may not deduct basis differences generated by errors in prior returns in years when Utah and federal depreciation or amortization amounts are required to be the same.

Line 9 - Expenses Attributable to 50 percent Unitary Foreign Dividend Exclusion
Add the expenses directly and indirectly attributable to the dividends from subsidiaries excluded on Schedule C, line 7 (i.e., 50 percent of the unitary foreign dividends). To calculate indirect interest expense attributable to excluded dividends:

1. Divide the taxpayer's average investment in dividend paying subsidiaries by the taxpayer's average investment in total assets.
2. Multiply the result by the total interest expense.

Line 10 - Installment Sales Income Previously Taxed for Federal But Not for Utah Purposes
Add installment sales income from installment sales made in tax years beginning before January 1, 1994 if the Utah installment provisions of former UCA §59-7-119 were used. If the Utah installment provisions were used on the Utah return, then a timing difference was created between federal and Utah purposes.

Line 11 - Refund Received from Utah Educational Savings Plan (UESP)
The participant in the Utah Educational Savings Plan should receive a "Statement of Withholding For Utah Educational Savings Plan," form TC-675H, from the UESP Trustee. Enter the amount from line 1 of form TC-675H. Attach a copy of form TC-675H to the return. If you have any questions about UESP, call 1-800-418-2551.

Line 12 - Income/Loss From IRC Section 936 Corporations
IRC Section 936 corporations are fully includable in the combined report. Add income/loss from IRC Section 936 corporations.

Line 13 - Foreign Income/Loss For "Worldwide"
Combined Filers

Corporations electing to file a worldwide combined report must include income/loss of each corporation in the unitary group regardless of the country in which the corporations are incorporated or conduct business. Add income/loss before extraordinary items and prior period adjustments and before the provision for income, war profits and excess profits taxes as reported on federal form 5471 for foreign corporations.

Line 14 - Income/Loss of Unitary Corporations
Not Included on the Federal Consolidated Return

Add income/loss of unitary corporations owned greater than 50 percent whose income/loss is not included on the federal consolidated return. Refer to "Combined Reports" in the general instructions for additional information on unitary combined filings.

Line 15 - Total Additions

Add lines 1 through 14 and enter the result on this line and on Schedule A, line 2.

Instructions for Schedule C - Subtractions for Unadjusted Income

Line 1 - Intercompany Dividend Elimination

Deduct dividends received from U.S. corporations owned greater than 50 percent whose income is included on this return and whose dividend has not been previously eliminated.

Line 2 - Foreign Dividend Gross-up

Deduct the foreign dividend gross-up included in gross income for federal income tax purposes under IRC Section 78.

Line 3 - Net Capital Loss

The corporation must include its capital losses on this line if an election is being made to take a deduction for capital losses incurred in the taxable year. If a current year deduction is not taken, the loss must be carried forward as provided in IRC Section 1212(a)(1)(B) and (C).

Line 4(a) - Federal Jobs Credit

Deduct the amount of salary expense reduction due to claiming the federal jobs credit under IRC Section 51.

Line 4(b) - Research and Development

Deduct qualified research and basic research expense reduction due to claiming the research and development credit under IRC Section 41.

Line 4(c) - Clinical Testing Expense

Deduct qualified clinical testing expense reduction due to claiming the federal orphan drug credit under IRC Section 28.

Line 4(d) - Other Federal Credits

Subtract expense reduction attributable to claiming any other federal credit. Attach applicable federal form.

Line 5 - Safe Harbor Lease (SHL) Adjustments

The effects of any remaining SHL adjustments must be reversed for Utah purposes. For general SHL information, see the instructions for Schedule B, line 3.

Subtract from income:

SHL Purchaser/Lessor

1. Rental income.
2. Amortization of the purchase price of tax benefits (purchase price of tax benefits must be capitalized).

SHL Seller/Lessee

1. Interest income.
2. Depreciation on SHL property.

Line 6 - Income Previously Taxed

Subtract any income on the federal corporate return, form 1120 or 1120-A that has been previously taxed by Utah. Attach supporting schedules and documentation.

Line 7 - 50 percent Exclusion for Dividends
From Unitary Foreign Subsidiaries

Deduct 50 percent of the dividends deemed received or received from subsidiaries that are members of the unitary group and are organized or incorporated outside of the United States, unless those subsidiaries are included in a combined report. In that case, the dividends are eliminated as an intercompany transaction.

For corporations filing a water's edge combined report, the 50 percent exclusion includes dividends from unitary foreign corporations, foreign sales corporations, and subpart F income.

Line 8 - 50 percent Exclusion of "Foreign
Operating Company" Income/Loss

Deduct 50 percent of the adjusted income/loss of a foreign operating company unless the taxpayer is filing a worldwide combined report. A foreign operating company is a corporation (other than an IRC Section 936 corporation) incorporated in the United States with 80 percent or more of its business activity, based on the average of the property and payroll factors, conducted outside the United States.

In calculating this subtraction, no deduction is allowable for foreign taxes.

Line 9 - Gain or Loss on Certain Stock Sales

Subtract the gain or loss on the sales of stock included in unadjusted income, yet not taxable for federal purposes because the transaction is considered to be a deemed sale of assets under IRC Sections 338(h)(10) or 336(e).

The purpose of this subtraction is to avoid the double taxation that will occur if both the gain on the stock sale and the gain on the deemed sale of assets were included in income. Utah law follows the federal statute that taxes the gain on the deemed sale of assets.

Line 10 - Basis Adjustments

Include adjustments to gains, losses, depreciation expense, amortization expense, and similar items due to a difference between basis for federal and Utah purposes as explained in instructions for Schedule B, line 8.

Line 11 - Interest Expense

Deduct interest expense not deducted on the federal corporate return under IRC Sections 265(b) or 291(e).

Line 12 - Dividends From Insurance Company Subsidiaries

Deduct dividends received from subsidiaries owned greater than 50 percent that are insurance companies taxed on their Utah premiums.

Line 13 - Payments Made to the Utah Educational Savings Plan (UESP)

The participant in the Utah Educational Savings Plan should receive a "Statement of Withholding For Utah Educational Savings Plan," form TC-675H, from the UESP Trustee. Include on this line the amount on line 1 of form TC-675H. Attach a copy of form TC-675H to the return. If you have any questions about UESP, call 1-800-418-2551.

Line 14 - Total Subtractions

Add lines 1 through 13. Enter the amount on line 14 and on Schedule A, line 3.

Instructions for Schedule D - Utah Contributions Deduction

Compute deductions for Utah charitable contributions (UCA §59-7-109(2)).

Line 1 - Apportionable Income Before Contributions Deduction

Enter amount from Schedule A, line 6.

Line 2 - Utah Contribution Limitation Percentage

Charitable contributions for the current year, including excess contributions carried forward from a prior year, cannot exceed the contribution limitation. The contribution limitation percentage rate is preprinted on this line (see UCA §59-7-109(2)).

Line 3 - Utah Contribution Limitation

Multiply line 1 by line 2 and enter limitation amount. If line 1 is a loss, then no contributions deduction is allowed.

Line 4 - Current Year Contribution

Enter charitable contributions for the current year.

Line 5 - Contributions Deducted on Federal Form 1120, line 19

Utah law precludes a deduction for the following contributions when a Utah credit is being claimed. If the contributions below were claimed as charitable deductions on federal form 1120, line 19, enter the credit

amount that was claimed on Utah Schedule A, line 16 in the space that was provided.

Lines 5(a) and 5(b) will be deducted from the current year contribution on line 4.

Line 5(a) - Contributions to Qualified Sheltered Workshops

Enter the amount of the Qualified Sheltered Workshop Cash Contribution Credit (code 02) claimed on Utah Schedule A, line 16.

Line 5(b) - Deduction for High Technology Equipment

Enter the amount of the High Technology Equipment Contribution Tax Credit (code 14) claimed on Utah Schedule A, line 16.

Line 6 - Utah Contribution Carryforward

Charitable contributions made in a taxable year beginning on or after January 1, 1994, which exceed the allowable deduction for Utah, may be carried forward to the 5 succeeding taxable years in the same manner as allowed under federal law. Enter the excess contributions carried forward to this year. Attach a schedule showing contributions made in taxable years beginning on or after January 1, 1994 that exceed the Utah contribution limitation, have not been previously carried forward, and are available to be carried forward to the current year.

Line 7 - Total Contributions Available

Subtract lines 5(a) and 5(b) from line 4 and add line 6.

Line 8 - Utah Allowed Contributions Deduction

Enter the lesser of line 3 or line 7 here and on Schedule A, line 7.

Instructions for Schedule H - Nonbusiness Income Schedule

Determine nonbusiness income allocated to Utah and outside Utah by completing this schedule. All income that arises from the conduct of the trade or business operations of a corporation is business income.

Nonbusiness income means all income other than business income and will be narrowly construed. Intangible income must be properly classified and based upon factual evidence. The burden of proof is on the corporation to justify the manner in which the income is claimed on the return.

Interest income is business income where the intangible with respect to which the interest was received arises out of or was created in the regular course of the taxpayer's trade or business operations. (Tax Commission Rule R865-6F-8(A)(3)(c))

Dividends are business income where the stock with respect to which the dividends are received arises out of or was acquired in the regular course of the taxpayer's trade or business operations. Because of the regularity

with which most corporate taxpayers engage in investment activities, income arising from the ownership, sale or other disposition of investments is presumptively business income. (Tax Commission Rule R865-6F-8(A)(3)(d))

Gain or loss from the sale, exchange, or other disposition of real or tangible or intangible personal property constitutes business income if the property while owned by the taxpayer was used in the taxpayer's trade or business. (Tax Commission Rule R865-6F-8(A)(3)(b))

Rental income from real and tangible property is business income if the property with respect to which the rental income was received is used in the taxpayer's trade or business or includable in the property factor. (Tax Commission Rule R865-6F-8(A)(3)(a))

If the corporation is claiming only Utah nonbusiness income, lines 1(a) through 13 must be completed. If the corporation is claiming only non-Utah nonbusiness income, lines 14(a) through 26 must be completed. If the corporation is claiming both Utah and non-Utah nonbusiness income, lines 1(a) through 26 must be completed. Use additional pages if necessary to provide complete information including a description of the business purpose for making the investment, the transactions creating the non-business income, and the use of revenues generated by the non-business investment.

Utah Nonbusiness Income

Lines 1(a)-1(d) - Utah Nonbusiness Income
Complete each column with the information required and show the gross nonbusiness income from each class of income being specifically allocated. Use additional pages, if necessary, to provide complete information about additional sources of nonbusiness income.

Line 2 - Total Utah Nonbusiness Income
Add lines 1(a) through 1(d).

Lines 3(a)-3(d) - Direct Related Expenses
Describe and enter amounts of direct expenses on the same letter line as the corresponding nonbusiness income is listed on lines 1(a)-1(d). Direct related expenses include wages, interest, depreciation, etc. (Reference: UCA §59-7-101(19))

Line 4 - Total Direct Related Expenses
Enter the sum of direct related expenses by adding lines 3(a)-3(d).

Line 5 - Utah Nonbusiness Income Net of
Direct Related Expenses
Subtract line 4 from line 2.

Line 6 - Beginning of Year Assets
Enter the beginning of year value of assets used to produce Utah nonbusiness income in column A. Enter the beginning of year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

Line 7 - End of Year Assets
Enter the end of year value of assets used to produce Utah nonbusiness income in column A. Enter the end of year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

Line 8 - Sum of Beginning and End of Year
Assets Values
Add lines 6 and 7 for each respective column.

Line 9 - Average Asset Values
Line 8 divided by 2 for each column.

Line 10 - Average Assets Used to Produce Utah
Nonbusiness Income
Line 9, column A divided by line 9, column B.

Line 11 - Interest Expense
Enter the total amount of interest deducted in computing Utah taxable income.

Line 12 - Indirect Related Expenses for
Utah Nonbusiness Income
Multiply line 10 by line 11.

Line 13 - Total Utah Nonbusiness Income Net
of Expenses
Subtract line 12 from line 5. Enter amount here and on Schedule A, line 5(a).

Non-Utah Nonbusiness Income

Lines 14(a)-14(d) - Non-Utah Nonbusiness Income
Complete each column with the information required and show the gross nonbusiness income from each class of income being specifically allocated. Use additional pages, if necessary, to provide complete information about additional sources of nonbusiness income.

Line 15 - Total Non-Utah Nonbusiness Income
Add lines 14(a)-14(d).

Lines 16(a)-16(d) - Direct Related Expenses
Describe and enter amounts of direct expenses on the same letter line as the corresponding nonbusiness income is listed on lines 14(a)-14(d). Direct related expenses include wages, interest, depreciation, etc. (Reference: UCA §59-7-101(19))

Line 17 - Total Direct Related Expenses
Enter the sum of direct related expenses by adding lines 16(a)-16(d).

Line 18 - Non-Utah Nonbusiness Income Net of
Direct Related Expenses
Subtract line 17 from line 15.

Line 19 - Beginning of Year Assets

Enter the beginning of year value of total assets used to produce non-Utah nonbusiness income in column A. Enter the beginning of year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

Line 20 - End of Year Assets

Enter the end of year value of total assets used to produce non-Utah nonbusiness income in column A. Enter the end of year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

Line 21 - Sum of Beginning and End of Year Assets Values

Add lines 19 and 20 for each respective column.

Line 22 - Average Asset Values

Line 21 divided by 2 for each column.

Line 23 - Average Assets Used to Produce Non-Utah Nonbusiness Income

Line 22, column A divided by line 22, column B.

Line 24 - Interest Expense

Enter the total amount of interest deducted in computing Utah taxable income.

Line 25 - Indirect Related Expenses for Non-Utah Nonbusiness Income

Multiply line 23 by line 24.

Line 26 - Total Non-Utah Nonbusiness Income Net of Expenses

Subtract line 25 from line 18. Enter amount here and on Schedule A, line 5(b).

sales factors must be computed on the basis of the corporation's ownership interest in the partnership or joint venture.

Briefly describe the nature and location(s) of your Utah business activities in the space provided at the top of this schedule.

Lines 1(a)-1(e) - Tangible Property

Show the average cost value during the taxable year of real and tangible personal property used in the business within the state (including leased property) in column A and overall (including Utah) in column B.

Property owned by the corporation is valued at its original cost. Property rented by the corporation is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the corporation less the annual rate received by the corporation from subrentals.

The average value of property must be determined by averaging the cost values at the beginning and end of the tax period. However, monthly values may be used or required if monthly averaging more clearly reflects the average value of the corporation's property.

A supporting schedule should be attached whenever monthly averaging is used.

Line 2 - Total Tangible Property

Enter totals of lines 1(a) through 1(e) in the respective columns.

Line 2(a) -Property Fraction

Determine property fraction: column A, line 2 divided by column B, line 2.

Line 3 - Wages, Salaries, Commissions, and Other Includable Compensation

Wages, salaries, commissions, and other includable compensation paid to employees for personal services must be included in the Utah factor to the extent that the services, for which the compensation was paid, were rendered in Utah.

Compensation is paid in the state if:

1. The individual's service is performed entirely within the state;
2. The individual's service is performed both within and without the state, but the service performed without the state is incidental to the individual's service within the state; or
3. Some of the service is performed in the state and:
 - a. The base of operations or, if there is no base of operation, the place where the service is directed or controlled is within the state, or
 - b. The base of operations or the place where the service is directed or controlled is not in any state where some part of the service is performed, but the individual's residence is in this state.

Amounts reportable for employment security purposes may ordinarily be used to determine the wage factor.

Instructions for Schedule J - Apportionment Schedule

Determine apportionment fraction by completing this schedule. The factors express a percent for tangible property in Utah, for wages and salaries in Utah, and for sales in Utah. These factors are to be added together and divided by the number of factors present (typically 3) to arrive at the Utah apportionment fraction calculated to **six decimals**. This fraction is to be applied to the apportionable income (or loss) to arrive at the amount of income (or loss) apportioned to Utah. In cases where one or more of the factors is omitted due to peculiar aspects of the business operations, the corporation should divide by the number of factors present.

Income or loss from partnership or joint venture interests must be included in income and apportioned to Utah through application of the three-factor formula consisting of property, payroll, and sales.

For apportionment purposes, the portion of partnership or joint venture property, payroll, and sales to be included in the corporation's property, payroll, and

Line 3(a) -Wages Fraction

Determine wage fraction: column A, line 3 divided by column B, line 3. Overall wages, including Utah, are listed in column B.

Lines 4(a)-4(e) - Gross Receipts From Business

The sales factor is the percentage the sales or charges for services within the state for the taxable year bear to the overall sales for the taxable year. Gross receipts from the performance of services are in this state to the extent the services are performed in this state.

Sales of tangible personal property are in this state if the property is delivered or shipped to a purchaser within this state regardless of the F.O.B. point or other conditions of the sale, or if the property is shipped from an office, store, warehouse, factory, or other place of storage in this state and: (1) the purchaser is the United States Government, or (2) the corporation is not taxable in the state of the purchaser.

Nexus: The jurisdictional link that must be present before a state may tax a corporation upon its activities within a state's borders.

Note: Exception to the above method for securities brokerage businesses can be found in the UCA §59-7-319(3).

Line 5 - Total Sales and Service

Enter totals of lines 4(a) through 4(e) in their respective columns.

Line 5(a) -Sales Fraction

Determine sales fraction: column A, line 5 divided by column B, line 5. Overall sales, including Utah, are listed in column B.

Line 6 - Total Fraction

Enter total of lines 2(a), 3(a) and 5(a).

Line 7 - Apportionment Fraction

Calculate the apportionment fraction to **six decimals**: Line 6 divided by the number of factors used (typically 3 - property, wages and sales). If one or more of the factors are not present (i.e., there is a zero in the denominator on lines 2, 3, or 5 in column B), divide by the number of factors present. If the numerator is zero, but a denominator is present, include that factor in the number of factors present. Enter apportionment fraction here and on Schedule A, line 9.

Specialized Apportionment Rules

Specialized apportionment rules apply for:

- Trucking Companies (R865-6F-19)
- Railroads (R865-6F-29)
- Publishing Companies (R865-6F-31)
- Financial Institutions (R865-6F-32)
- Telecommunication (R865-6F-33)

Instructions for Schedule M – Corporations Included in Combined Filings

Any corporation filing a combined report must complete Schedule M if one or more of the subsidiaries or affiliated corporations is incorporated, qualified, or doing business in Utah. Federal schedules are not acceptable as substitutes.

Use of any other form as a substitute for Schedule M is only acceptable with prior approval from the Tax Commission. Refer to Pub 99, "Utah State Tax Commission Guidelines for using Substitute and Copied Tax Forms."

List only corporations that are incorporated, qualified or doing business in Utah. Corporations that are not listed on Schedule M will not be considered to have met the Utah filing requirements.

Common Return Errors

1. Losses applied incorrectly – Losses incurred for years beginning prior to Jan. 1, 1994 must be carried back three years and may only be carried forward five years. For tax years beginning on or after Jan. 1, 1994, an election may be made to forego the loss carryback for Utah purposes and losses may be carried forward for 15 taxable years. See the instructions for Schedule A, lines 12 and 13.
2. Unitary businesses not filing a combined report – Groups of corporations that are engaged in an integrated unitary business must file on a combined basis. See instructions on page 3.
3. Utah sales factor – Out-of-state corporations that are qualified in Utah, but not “doing business” in Utah are required to file a corporate return paying the minimum tax. However, sales made into Utah are not required to be included in the gross receipts numerator, except as provided under Utah Administrative Rule R865-6F-24. Conversely, corporations making sales from Utah into a state where they are qualified, but not “doing business” are required to include such sales in the Utah gross receipts numerator as throwback sales, except as provided under Utah Administrative Rule R865-6F-24.
4. Net capital losses may not be carried back – Capital losses may be taken in full in the year incurred or may be carried forward. However, capital losses may NOT be carried back. See UCA 59-7-106(2).
5. Dissolution or withdrawal – Corporations that are no longer in business or that are no longer doing business in Utah are required to legally dissolve or withdraw the corporation. See instructions on page 1.